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Testimony to the Environment Committee

March 14, 2011

**RE: HB-6386, *An Act Establishing the Department of
Energy & Environmental Protection***

The Connecticut Water Company is a private water company that serves nearly 90,000 customers or more than 225,000 people in 55 towns in Connecticut. We have 200 employees dedicated to providing our customers and the communities we serve with quality water and service. We have a long history of regulatory compliance and stand ready to work with stakeholders to ensure the appropriate laws and regulations are in place to provide for public health, safety and service to our customers. As water utilities we have long been stewards of the environment and have great interest in ensuring that the resources of the state are properly protected and that water utility operations are sustainable.

We are encouraged that the Governor has taken a fresh look at the organization of the state agencies and taken steps to consolidate and improve oversight in key areas. While the focus of discussions on the creation of the Department of Energy and Environmental Policy has largely been on energy policy, we are hopeful that the new agency will also provide a mechanism to take a more comprehensive look at water policy and ratemaking measures that support investment in infrastructure and conservation of the state's water resources for sustainable water utilities.

Currently, the responsibility for the regulation of water companies and the management of the state's water resources falls under the jurisdiction of four state agencies – the Department of Environmental Protection, the Department of Public Health, the Department of Public Utility Control and the Office of Policy and Management – each with separate legislative mandates and authorities. As such, each agency implements their respective regulatory programs but there may be missed opportunities for more comprehensive planning and integrated approaches to the management of water resources in Connecticut.

The need for more comprehensive water resources planning and policies was never more evident than as the process unfolded to develop streamflow regulations. We expect there will be greater opportunities to establish policies and regulations that meet environmental goals while considering the ratemaking and economic impacts of such initiatives if oversight of both the environmental and ratemaking aspects of water utility operations is in a single agency as proposed in HB 6386.

Where similar regulatory models have been implemented in other states, it has been evident how critically important it is to have the right individual overseeing the Department and a clear understanding of the respective roles and responsibilities within the Department. It is essential that the Commissioners of the Public Utility Control are allowed to remain independent and autonomous in their adjudicatory role so decisions in rate case proceedings and other docketed matters are legally defensible, based on the record and evidence provided.

While the DPUC decisions impact customers, they also affect the utilities and their economic viability. Experience in Connecticut, particularly with the small water systems, has shown that there is greater risk to customers when companies do not seek timely rate relief and adequately invest in their systems. It is important, therefore, that the regulatory process is not seen as a deterrent to timely rate requests. As such, the process needs to be reasonable and timely, and the decisions need to reflect a clear evidentiary record, consistent policy, adherence to precedents and a level of predictability.

We were encouraged by the comments of Mr. Esty at his confirmation hearing last week, when he spoke about a third "E" for the agency, that being the Economy. He recognized the role that environmental regulations and policy can play in supporting jobs and the state's economy. He also discussed the need for 'fresh thinking and a commitment to new ways of doing business.' He indicated he planned to establish priorities using risk based, scientific information to determine where the Department's efforts should best be directed. We concur with his observations that businesses are willing to comply with environmental regulations, but they need greater predictability and timeliness in the process. The Department needs to work towards greater predictability and a shared goal of working with the stakeholders to determine how best to accomplish things not simply approve or reject permit applications. If the new Commissioner and department structure achieve this, they will have made great strides in protecting the environment and supporting the state and the economy.

We recognize there will likely be a number of technical changes in the bill and note that with the universal substitutions in the bill to replace references to the Department of Public Utility Control (DPUC) with the Department of Energy and Environmental Policy (DEEP), there are some places that need further clarification or correction. Specifically, Section 16-49 provides for the regulated utilities to fund the operations of the DPUC through an assessment - while we would expect to continue that funding of the DPUC, the bill needs to be revised so that it does not inadvertently extend the utilities' funding obligation to all of DEEP.

We thank the Committee for the opportunity to comment on the bill. If Connecticut is going to be seen as "open for business" there is no better place to start than with this new Department of Energy and Environmental Policy. We expect members of the Environment Committee will be instrumental in seeing through the reorganization and ask that you also ensure the subsequent operations and policies of the Department protect the environment with meaningful, reasonable regulatory programs and processes that at the same time support the economy and jobs in Connecticut.

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